

CPP ANNUAL USE OF CAPITAL SURVEY - 2010



NAME OF INSTITUTION

(Include Holding Company Where Applicable)

Southwest Bancorp, Inc.

Point of Contact:	Steve Gobel	RSSD: (For Bank Holding Companies)	1062621
UST Sequence Number:	114	Docket Number: (For Thrift Holding Companies)	
CPP/CDCI Funds Received:	70,000,000	FDIC Certificate Number: (For Depository Institutions)	
CPP/CDCI Funds Repaid to Date:		Credit Union Charter Number: (For Credit Unions)	
Date Funded (first funding):	December 05, 2008	City:	Stillwater
Date Repaid ¹ :	N/A	State:	Oklahoma

¹If repayment was incremental, please enter the most recent repayment date.

American taxpayers are quite interested in knowing how banks have used the money that Treasury has invested under the Capital Purchase Program (CPP) and Community Development Capital Initiative (CDCI). To answer that question, Treasury is seeking responses that describe generally how the CPP/CDCI investment has affected the operation of your business. We understand that once received, the cash associated with TARP funding is indistinguishable from other cash sources, unless the funds were segregated, and therefore it may not be feasible to identify precisely how the CPP/CDCI investment was deployed or how many CPP/CDCI dollars were allocated to each use. Nevertheless, we ask you to provide as much information as you can about how you have used the capital Treasury has provided, and how your uses of that capital have changed over time. Treasury will be pairing this survey with a summary of certain balance sheet and other financial data from your institution's regulatory filings, so to the extent you find it helpful to do so, please feel free to refer to your institution's quarterly call reports to illustrate your answers. This is your opportunity to speak to the taxpayers in your own words, which will be posted on our website.

What specific ways did your institution utilize CPP/CDCI capital? Check all that apply and elaborate as appropriate, especially if the uses have shifted over time. Your responses should reflect actions taken over the past year (or for the portion of the year in which CPP/CDCI funds were outstanding).

☒ **Increase lending or reduce lending less than otherwise would have occurred.**

During the period from receipt of CPP funds through 12/31/10 (since 12/31/08) Southwest decreased loans by \$131.3M (less than might have occurred otherwise) to \$2.42B. The 12/31/10 loan total includes \$53.6M in covered loans from an FDIC assisted acquisition that occurred in June 2009.

☒ **To the extent the funds supported increased lending, please describe the major type of loans, if possible (residential mortgage loans, commercial mortgage loans, small business loans, etc.).**

During the 2 year period from 12/31/08 real estate mortgages increased \$207.9M, real estate construction declined \$183.4M, commercial loans declined \$106.5M, and consumer & student loans declined \$49.3M. Also, \$263M in mortgages were originated for resale during this period.

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X Increase securities purchased (ABS, MBS, etc.).

During the 2 year period from 12/31/08, outstanding securities increased \$8.8M to an aggregate portfolio balance of \$272.9M at 12/31/10. During this period, Southwest did undertake a restructuring and lengthening of its securities portfolio and realized gains in so doing.

X Make other investments.

During the period from receipt of CPP funds through 12/31/10, Southwest contributed more than \$70M to subsidiary banks and acquired a \$10 M potential problem loan from a bank subsidiary.*

X Increase reserves for non-performing assets.

During the 2 year period from 12/31/08, Southwest increased the allowance for loan losses by \$25.4M to a balance of \$65.2M at 12/31/10. The allowance as a percentage of non-performing loans remained relatively constant in the range of 60%.

X Reduce borrowings.

During the 2 year period from 12/31/08, Southwest decreased its borrowings by \$ 200.5M to \$94.6M, including the holding company repaying a \$15 M short-term loan the proceeds of which had been contributed to the capital of a subsidiary bank.*

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X Increase charge-offs.

During the 2 year period from 12/31/08, Southwest reported net charge-offs of \$49.3M and provision expense of \$74.7M. The allowance as a percentage of non-covered portfolio loans increased from 1.59% to 2.80% during that period.

X Purchase another financial institution or purchase assets from another financial institution.

On June 19, 2009, Bank of Kansas (a wholly owned sub) entered into a P&A agreement with loss share with the FDIC. Southwest contributed \$3.5M to Bank of Kansas capital in connection with this transaction.* During 2010 Southwest contributed \$4.3M in additional capital to Bank of Kansas.

X Held as non-leveraged increase to total capital.

The capital of Southwest and each of its banking subsidiaries was increased by CPP funds or contributions by Southwest.

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What actions were you able to avoid because of the capital infusion of CPP/CDCI funds?

Receipt of the CPP funds, along with funds from Southwest's \$34.5M sale of trust preferred securities on the market in 2008 and net income earned, allowed Southwest to avoid greater use of non-core funding sources and to maintain capital ratios above the generally applicable minimums for "well-capitalized" banks. Note: Southwest Bancorp, Inc. is referred to as "Southwest" and "M" is used instead of "million" and "B" is used instead of "billion" in order to keep within this form's response size limits.

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What actions were you able to take that you may not have taken without the capital infusion of CPP/CDCI funds?

During the 2 year period from receipt of CPP funds (from 12/31/08 through 12/31/10), Southwest was able to maintain outstanding loans at \$2.4B or higher; increase securities holdings; reduce borrowings by \$200.5 million; acquire assets, deposits and other liabilities of a failed bank in an FDIC assisted transaction; increase the balance of capital at the corporate level; and earn net income available to common shares of \$21.6 million after increasing the allowance for loan losses by \$25.4 million and maintaining bank regulatory capital ratios well above the "well capitalized" minimums. (Note that the increase in the allowance would likely have been made regardless of the receipt of CPP funds.)* Once cash is received, it is fungible with other cash on hand, and it is not always possible to determine what source was used for what purpose. However, since the CPP transaction, the receipt of the \$70.0 million in CPP funds, along with funds from Southwest's \$54.0M sale of common stock during 2010, and its \$34.5 million sale of trust preferred securities on the market in 2008, have allowed Southwest to fulfill its interest and preferred dividend obligations while supporting its bank subsidiaries with the following \$98.5 million in cash investments, loan purchase, and repayment including (i) direct cash investments of \$73.5 million; (ii) purchase, through a direct subsidiary of the holding company, of a \$10 million potential problem loan from a bank subsidiary, which improved the bank's credit quality ratios; (iii) repayment in 2009 of a \$15 million short-term loan, the funds from which were used in 2008 to contribute common equity capital to a bank subsidiary in order to increase its regulatory capital ratios. Required Annual Certification: "I hereby certify that this Annual Use of Capital Survey-2010 for Southwest Bancorp, Inc. (UST Sequence No. 114) is accurate to the best of my knowledge. Steve Gobel Executive Vice President, Chief Accounting and Controls Officer and Associate Chief Financial Officer"

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Please describe any other actions that you were able to undertake with the capital infusion of CPP/CDCI funds.